1

Executive Summary

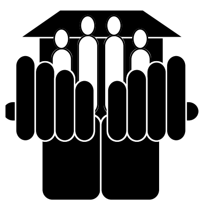
This is the 22nd Semiannual Report issued by the Office of Inspector General (OIG), Federal Emergency Management Agency (FEMA), since becoming a statutory Inspector General office in April 1989. It is issued pursuant to the provisions of the Inspector General Act of 1978 (Public Law 95-452), as amended, and covers the period from October 1, 1999, through March 31, 2000. All activities and results reported fall within the reporting period unless otherwise noted.

During this reporting period, we performed several reviews that addressed issues identified in the list of 10 areas the OIG considered to be the most serious management challenges facing FEMA. We assessed the validity of non-Federal contributions to Project Impact communities and examined selected administrative aspects of the program. We evaluated the effectiveness of FEMA territorial closeout teams in reducing the backlog of open disasters. Finally, we audited FEMA's Fiscal Year 1999 Financial Statements and evaluated controls to determine whether the financial system was compliant with federal requirements. We also reviewed several allegations of impropriety, including the use of cooperative agreements to acquire goods and services for the Federal Government. We devoted significant resources to reviewing disaster costs and grant recipients' compliance with applicable laws and regulations. We investigated numerous allegations of fraud and abuse by disaster recipients. We continued to support Agency managers to improve the overall operations of the Agency through participation on task forces and working groups.

Our audits, inspections, and investigations were instrumental in FEMA management deobligating and recovering $26.5 million, and in agreements to recover and deobligate an additional $14 million. We issued 42 audit and inspection reports; processed an additional 27 reports issued by non-FEMA auditors; closed 52 investigations; arrested and/or indicted 55 individuals/companies; convicted 16 individuals; and closed 2,135 hotline complaints.

2

Federal Emergency Management Agency



FEMA is the Federal agency charged with building and supporting the Nation's emergency management system. It works in partnership with groups such as State and local emergency management agencies, fire departments, other Federal agencies, the American Red Cross and other volunteer organizations. FEMA is authorized 2,531 full-time employees, who assist individuals, families, communities, and States throughout the disaster cycle. They help to plan for disasters, develop mitigation programs, and meet human and infrastructure needs when major disasters occur. They work at FEMA headquarters in Washington, D.C.; 10 regional offices and facilities around the country and in the Caribbean and Pacific; FEMA's National Emergency Training Center in Emmitsburg, Maryland; National Teleregistration and Processing Centers in Hyattsville, Maryland, and Denton, Texas; and Mt. Weather Emergency Assistance Center in Berryville, Virginia. FEMA also maintains a cadre of temporary disaster employees ready to help when disasters occur.

The U.S. Fire Administration and the Federal Insurance Administration (FIA) also are under FEMA's jurisdiction. The Fire Administration supports the Nation's fire service and emergency medical service communities with training, public education, and research in fire protection technologies and emergency response procedures. The FIA makes flood insurance available to residents and businesses in communities that agree to enforce floodplain management practices. More than 19,000 communities participate in the National Flood Insurance Program (NFIP), which has more than 4.2 million home and business policies in effect.

3

Office of Inspector General

Congress enacted the Inspector General Act in 1978 to ensure integrity and efficiency in Government. A 1988 amendment to the Act (Public Law 100-504) created the position of Inspector General in FEMA, subject to presidential appointment and senatorial confirmation. Before April 16, 1989, when the law became effective, the OIG was established administratively and the Director of FEMA appointed the Inspector General.

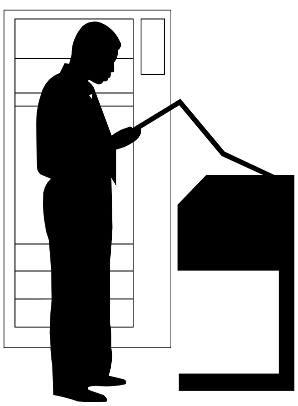
The statute conferred new authorities and responsibilities on the OIG, including the power to issue subpoenas; responsibility for various reports, such as this semiannual report; and authority to review relevant proposed laws and regulations to determine their potential impact on FEMA programs and operations. The law also mandates that the OIG audit and investigate FEMA programs.

Our office has three divisions—Audit, Inspections, and Investigations—and was authorized
80 full-time equivalent positions during this semiannual period. We also engage disaster employees on temporary appointments to audit or investigate disaster-related matters.

4

Summary of Significant OIG Activity

We completed several reviews that addressed issues identified in our Fiscal Year 2000 Annual Performance Plan. Particular emphasis was placed on issues identified as the 10 most serious management challenges facing FEMA. Those challenges included: (1) containing disaster costs; (2) sustaining the National Mitigation Program; (3) assessing State and local preparedness; (4) enhancing the National Flood Insurance Program's financial soundness and equity; (5) developing reliable procedures for complying with the Government Performance and Results Act of 1993; (6) enhancing financial management operations; (7) developing a viable grants management program; (8) implementing and maintaining information management systems; (9) maintaining a national strategy to support terrorism-related emergencies; and (10) implementing management improvements at the United States Fire Administration.



We issued five internal management reports on FEMA operations. We also issued 37 external reports on Federal fund recipients and processed an additional 27 reports performed by non-FEMA auditors. These reports questioned $35.8 million in costs and identified an additional $11.5 million in funds that could be put to more effective use.

We dedicated significant resources to (1) sustaining the National Mitigation Program with particular emphasis on Project Impact, (2) enhancing financial management operations and auditing the Agency's financial statements, and (3) reviewing aspects of FEMA's grants management program to include the use of special teams to closeout disaster grants. We also reviewed selected contracting practices to acquire goods and services.

The following are summaries of some significant audits, inspections, and investigations completed by the OIG during the reporting period relating to the administration of FEMA's programs and operations.

RESPONSE AND RECOVERY

Georgia Board of Regents

FEMA awarded the Georgia Board of Regents $70 million to provide funding for temporary facilities and for repairing or replacing damaged facilities and grounds that resulted from a July 1994 flood. The Board claimed $72 million. The claim included questioned costs of $17 million (Federal Share (FS) $15.3 million) resulting from improvements to facilities and unsupported charges, excess land acquisition and development costs, charges covered by insurance, ineligible project management costs, and unreasonable contract charges. We recommended that FEMA disallow the questioned costs.

Pennsylvania Department of Transportation

FEMA awarded the Pennsylvania Department of Transportation $29 million for emergency protective measures, debris removal, and to repair roads and bridges damaged as a result of severe flooding in January 1996. The Department claimed $37 million; however, work under large projects had not been completed and a final claim had not been submitted. The Department's claim included questioned costs of $11 million (FS $8.5 million) resulting from a small project overrun that was not justified as required by Federal regulation and specific charges under both large and small projects that were unauthorized, unsupported, allocable to another Federal grant program, excessive, and duplicative in nature. We recommended that FEMA disallow the questioned costs.

North Carolina Department of Transportation

FEMA awarded the North Carolina Department of Transportation $76 million for emergency protective measures, debris removal, statewide road and bridge repair, and disaster field office personnel costs that resulted from Hurricane Fran in September 1996. The Department claimed $73 million. The claim included questioned costs of $3.7 million (FS $3.3 million) resulting from excessive overtime salary and fringe benefit charges, ineligible regular-time salaries, duplicate funding, unsupported costs, and unauthorized work. We recommended that FEMA disallow the questioned costs.

Los Angeles Memorial Coliseum Commission

The California Office of Emergency Services (OES) awarded $100.6 million to the Los Angeles Memorial Coliseum Commission to cover costs for debris removal, emergency protective measures, and repairs to the Coliseum and Sports Arena Facility damaged in the Northridge Earthquake of January 1994. The Commission claimed $97.2 million for project costs relating to seven of the 19 projects approved. OES disbursed $87.8 million of FEMA funds. This claim included questioned costs of $2.7 million (FS $2.4 million). The costs questioned were due to the Commission awarding a cost-plus-a-percentage-of-cost contract that is specifically not allowable according to Federal Regulations. We recommended that the Commission refund the federal share of $2.4 million, the "percentage-of-cost" charged by the contractors.

Washington State Department of Natural Resources

The Washington Emergency Management Division awarded $9.1 million to the Washington State Department of Natural Resources to perform emergency work as a result of major fire storms that occurred in 1991. The Department claimed $9.1 million. We questioned $1.3 million because the Department did not refund the federal share of the amount collected from the utility companies due to a negotiated settlement. The Department failed to include an additional amount for the federal share in their negotiated settlement. We recommended that FEMA disallow the questioned costs of $1.3 million as duplicate funding.

City of Long Beach, California

The California Office of Emergency Services awarded $2.9 million to the City of Long Beach to provide emergency services required as a result of civil unrest in April and May 1992. The City claimed $2.9 million. We questioned $1.7 million (FS $1.3 million) because of inadequate documentation to support that the work performed was disaster-related. We recommended that FEMA disallow the questioned costs.

Municipality of Santa Isabel, Puerto Rico

FEMA awarded the Municipality of Santa Isabel, Puerto Rico, $2.4 million to remove debris, repair roads, and restore facilities damaged as a result of Hurricane Hortense in September 1996. We focused our efforts on evaluating the eligibility of costs billed by a contractor retained by the Municipality to remove debris and costs claimed under small projects. Of the $2.2 million billed by the contractor, $1.7 million (FS $1.5 million) was unsupported. The contractor did not have documentation to substantiate the level of effort claimed for debris removal, tree cuttings, and clearing streets, gutters, and sidewalks. Additionally, the Municipality's claim under small projects included $21,520 (FS $19,368) of duplicate charges. We recommended that FEMA disallow the unsupported contractor charges and rescind the funds awarded under small projects with duplicate funding.

Virgin Islands Department of Education

FEMA awarded the Virgin Islands Department of Education $19.3 million to remove debris, provide emergency protective measures, and to restore facilities damaged as a result of Hurricane Marilyn in September 1995. We conducted an interim audit of $3.5 million claimed by the Department. The claim included questioned costs of $1.1 million (FS $990,000) resulting from charges that were covered by insurance and $97,000 (FS $87,300) for projects that had not been implemented. We recommended that FEMA deobligate funding for the charges covered by insurance and deobligate funding for the projects that had not been implemented, unless a time extension is granted by FEMA.

City of Oakland, California

The California Office of Emergency Services awarded $47.4 million to the

City of Oakland for emergency protective measures and property restoration resulting from Oakland Hills fire in October 1991. The City claimed $28.2 million. We questioned $1.8 million (FS $1.3 million) due to inadequate and inconsistent documentation, unsupported contract costs, unsupported force account labor costs, and math errors. We recommended that FEMA disallow the questioned costs.

Puerto Rico Department of Transportation and Public Works

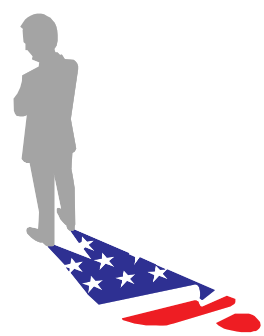
FEMA awarded the Puerto Rico Department of Transportation and Public Works $1.6 million to remove debris, provide emergency protective measures, and repair roads that were damaged as a result of Hurricane Hortense in September 1996. The Department claimed $1.4 million. The Department's claim included $237,002 (FS $213,302) in questioned costs resulting from duplicate funding, projects that were not implemented, unsupported charges, and excessive administrative charges. We recommended that FEMA disallow the questioned costs.

Cooperative Agreements with the National Association for Search and Rescue (NASAR)

As requested, we reviewed FEMA's use of cooperative agreements with NASAR. We determined that FEMA violated the Federal Grant and Cooperative Agreement Act of 1977 (PL 95-144) by awarding cooperative agreements to an ineligible applicant and, over a 10 year period, used the agreements in lieu of contracts to acquire goods and services for the Federal government. This practice circumvented Federal contracting procedures that ensure the Government receives a competitive price for goods and services. However, FEMA has since put financial controls in place to safeguard against the misuse of cooperative agreements. We recommended that the Chief Financial Officer: (1) terminate the three NASAR cooperative agreements and deobligate their outstanding balances, and (2) closely monitor internal controls to prevent cooperative agreements from being used in lieu of competitive contracting procedures.

Individual and Family Assistance Fraud

A woman falsely claimed that two vehicles belonging to her had been damaged in a flood. The woman received $13,100 through the Individual Family Grant program in the state where the flooding occurred. Investigation revealed that she unlawfully obtained the vehicles in another state. She was indicted by a Federal Grand Jury for numerous violations of Federal law including mail fraud (18 U.S. Code 1341) and making a false statement (18 U.S. Code 1001). She received 37 months imprisonment and was required to pay creditors $106, 973.



Two men pleaded guilty to theft of Government money and property (18

U.S. Code 641) for submitting false claims for disaster assistance in the amount $4,605. Specifically, they conspired to defraud FEMA by falsely stating they lived in a mobile home that was destroyed by severe storms and flooding. A Federal judge sentenced one man to 9 months in prison and ordered him to pay $2,789 in restitution. The second man received 24 months probation and was ordered to pay $1,816 in restitution.

Debris Removal Contractor Fraud

A local contractor, his corporation, and an employee were indicted on two counts each of conspiracy (18 U.S. Code 371) and bribery (18 U.S. Code 201). They conspired to pay a former FEMA disaster assistance employee for inside information that enabled them to successfully bid and win over a million dollars in debris removal contracts. They agreed to pay the FEMA employee 3 percent of the contracts' value as a fee for providing the information. The contractor has also been charged with one count of tampering with a witness (18 U.S. Code 1512). The contractor and his employee were arrested and released on bail pending trial.

We have undertaken a proactive initiative aimed at identifying payment of duplication of benefits following a recent tornado. Findings to-date reveal that some individuals with homeowners insurance received insurance money earmarked for debris removal. They also received debris removal assistance in the form of contracted labor paid for by FEMA programs. The issue of duplication of benefits, as outlined in Title 42, U.S. Code, was addressed with State and local officials. Efforts by the city governments to recover duplicated benefits have thus far resulted in cost savings of $904,851.

We determined that a debris removal company submitted false employee time and equipment usage records for debris cleanup following a hurricane. The company entered a corporate plea of guilty to one count of conspiracy to defraud the Government with false claims (18 U.S. Code 286) and was sentenced to pay $40,000 in restitution to FEMA.

Public Assistance Fraud

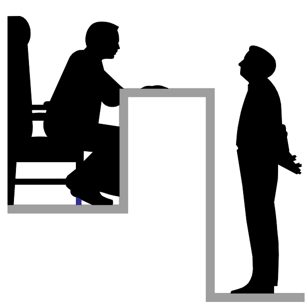
A president and vice-president of a company hired to do repair work to streets, sidewalks, and attenuate walls following the Northridge Earthquake pleaded guilty to conspiracy (18 U.S. Code 371) after investigation determined that they both forced their workers to kickback some of their salaries. The vice-president was sentenced to 60 days in jail, 3 years conditional probation, 1,000 hours of community service, a fine of $10,000 and $8,345 in restitution. The president is awaiting sentencing.

MITIGATION

Project Impact: Identifying and Reporting Partner Contributions

We assessed the validity of non-Federal contributions to Project Impact communities and examined selected administrative aspects of the program. We determined that communities were not accurately reporting partner contributions. Communities were (1) counting as leveraged monies funds that could not be attributed to Project Impact, (2) reporting contributions with no evidence of partner commitments, (3) identifying matching funds that were required to obtain the grant as partner contributions, and (4) not always recognizing legitimate contributions. FEMA used the information received from communities to report on the program's performance, and as a result, both understated and overstated estimated partner contributions. We recommended that FEMA issue guidance to communities to identify and report contributions more accurately and consistently.

We also found that Project Impact leveraged intangible contributions. Attitudinal and behavioral changes were occurring in communities in the form of collaboration and increasing



public awareness through education. These kinds of inherent qualities could not be quantified but recognized as important to communities that hope to sustain Project Impact. We recommended that FEMA improve its strategy for reporting both quantifiable and non-quantifiable contributions.

Communities were performing exemplary Project Impact tasks in ways that other communities could emulate. We recommended that FEMA disseminate information about successful practices and establish a forum on its website through which communities can exchange their ideas.

Project Impact communities were not spending their Federal grant monies in a timely manner. We recommended that FEMA educate communities about grant procedures, ensure that communities select viable projects for Federal funds, and more closely monitor mitigation projects using Federal funds. We also cited the need for improved internal reporting capability for obligations and expenditures.

The number of regional Project Impact coordinators has not kept pace with the growing number of Project Impact communities. Consequently, coordinators were being overwhelmed by the administrative responsibilities that accompany each new Project Impact community and were spending less time assisting their respective communities. The effectiveness and efficiency with which coordinators can carry out important programmatic and grants management activities (e.g., identifying and prioritizing mitigation projects, providing technical assistance, approving mitigation projects and fund drawdowns, and monitoring community progress throughout the performance period) were being jeopardized. We recommended that FEMA realign its resources to better manage the workload created by Project Impact.

FEDERAL INSURANCE ADMINISTRATION

National Flood Insurance Program

A woman was found guilty in Federal court for submitting a false $159,000 flood insurance claim. The woman deeded her house to her son who moved in while she moved out. When the house flooded, the woman filed a claim on her original flood insurance policy as though she still owned and lived in the house, both of which were false. She concealed her fraud by stealing a notary stamp, forging signatures, and recording another warranty deed that deeded the house back to her without her son's knowledge. Investigation determined that the house was not repaired. The woman was sentenced to 18 months in jail, 3 years supervised probation, and ordered to pay full restitution in the amount of $159,000.

PREPAREDNESS, TRAINING, AND EXERCISES

Review of the Disaster Relief Fund Training Budget

At the request of the Director of FEMA, we conducted a limited review of FEMA's management of the Disaster Relief Fund (DRF) training initiatives. Our objective was to determine whether the initiatives are being managed in an efficient and effective manner. The review did not attempt to assess or make value judgements on the reasonableness or effectiveness of training or whether the dollars budgeted were reasonable. Our review revealed:

FEMA's Directorates and Offices have actually budgeted more than $10.6 million for disaster-related training rather than the $7.4 million shown in the DRF training budget.

The Cadre Credentialing Program that FEMA was in the process of developing was driving costs upward.

FEMA does not have a reliable mechanism to monitor and manage the training received by its temporary disaster workforce. Between 6-11 percent of the workforce are attending the same basic course more than once within a year.

Regional Offices are not required to justify or account for their annual disaster training allocation.

Disaster Field Training Offices offer an opportunity to save costs and meet minimum training requirements.

We recommended that FEMA (1) curtail all Cadre credentialing until a Cadre concept and design proposal is prepared, (2) establish a clearinghouse or focal point for all temporary workforce training proposals, (3) consolidate the various databases for tracking training provided to the temporary workforce, (4) curtail regional training until training plans are developed that specify how funds will be used, and (5) provide required generic training at the Disaster Field Training Offices.

Emergency Food and Shelter Program

A woman working for a Local Recipient Organization (LRO) diverted $13,000 of

FEMA Emergency Food & Shelter (EF&S) funds for her personal use. Investigation determined that she was writing checks from the LRO payable to her and others. She was indicted and pleaded guilty to 2 counts of fiduciary misapplication of property. A total of $2,345 was previously recovered from the LRO for losses directly linked to the EF&S Program funds. The woman was sentenced to 5 years probation, ordered to pay $13,687. 49 in restitution to the LRO, and ordered to serve 200 hours community service.

FINANCIAL MANAGEMENT

Auditors' Report on FEMA's Fiscal Year 1999 Financial Statements

We directed the audit of the Fiscal Year 1999 FEMA-wide financial statements as required by the Chief Financial Officers Act of 1990, as amended by the Government Management Reform Act (GMRA) of 1994. Fiscal Year 1999 was the second straight year FEMA met the statutory deadline of March 1 for issuing audited agency-wide financial statements. The financial statements received an unqualified opinion, meaning that they were fairly presented and free of material misstatements. However, we still noted material weaknesses that prevent FEMA's full compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996. Specifically:

We identified deficiencies related to the internal control over the preparation, analysis, and monitoring of financial information that support the efficient and effective preparation of agency-wide financial statements. FEMA did not perform timely cash reconciliations for all "Fund Balance with Treasury" accounts in Fiscal Year 1999, had difficulty producing timely reports that allowed sufficient time for the performance of audit procedures, and did not have a routine and controlled process for producing complete interim financial statements. These weaknesses resulted in departures from the Office of Management and Budget (OMB) Circular A-127, "Financial Management Systems", and OMB Circular A-123, "Management Accountability and Control". OMB Circular A-127 requires that an agency's financial management system be able to provide financial information in a timely and useful fashion for the preparation of financial statements. OMB Circular A-123 requires that reliable and timely information is reported and used for decision-making purposes.

We noted internal control deficiencies in certain aspects of FEMA's automated Integrated Financial Management Information System (IFMIS), particularly in the areas of access and program change controls. Also, FEMA needs to finalize its draft information security policy for IFMIS and complete its plan for establishing roles and responsibilities for the IFMIS development contractors. In addition, FEMA's needs in-house capabilities to ensure appropriate approval, reporting and documentation of system modifications. The lack of a fully implemented and documented system of management controls is a departure from the requirements of OMB Circular A-123.

As a result of the weaknesses stated above, FEMA is not in compliance with the Federal financial management systems requirements under FFMIA. FFMIA requires the Inspector General to report instances and reasons when an agency has not met the intermediate target dates established in the agency's remediation plan for compliance with FFMIA. FEMA's Office of Financial Management (OFM) is responsible for addressing the deficiencies reported in the audit report. OFM agreed that there were deficiencies related to the internal control over the preparation, analysis, and monitoring of financial information to support the efficient and effective preparation of agency-wide financial statements. However, OFM did not agree that these findings constituted substantial noncompliance with FFMIA. OFM expressed the same view when we deemed FEMA not in substantial compliance with FFMIA in Fiscal Year 1998. Because of OFM's opinion that FEMA is in substantial compliance, FEMA does not have a remediation plan to ensure compliance with FFMIA.

Actions that FEMA needs to take to comply with FFMIA include the following: (1) implement procedures to ensure the timely preparation and review of "Fund Balance with Treasury" account reconciliations, (2) improve controls over the financial statement preparation process to ensure timeliness, (3) develop a routine and controlled process for producing complete interim financial statements, (4) implement a tracking mechanism to address the access and program change control deficiencies in IFMIS, (5) finalize the draft information security policy for IFMIS, (6) complete a plan for establishing roles and responsibilities for the IFMIS development contractors, and (7) complete a plan for establishing FEMA's in-house capabilities to ensure appropriate approval, reporting and documentation of system modifications.

Review of Territorial Closeout Teams

The objectives of the review were to assess the operations of the territorial closeout teams and determine whether the Director's goal of reducing the backlog of open disasters was being achieved and whether the teams were discharging their responsibilities prudently. We reported that the closeout teams were effective in reducing the closeout backlog and that the closeout teams brought FEMA closer to its goal of closing out disasters within two years of declaration. The closeout teams expedited the flow of documents by pursuing disaster information from grantees, assembling closeout documentation for program officials, and recommending closeout measures.

When the closeout teams began operations in January 1998, they focused on disasters declared prior to FY 1994. At this time there were 152 open disasters which accounted for $346 million in remaining costs. By the end of June 1999, the closeout teams had programmatically closed 138 of the 152 disasters and reduced remaining costs to $5 million. In October 1998, the teams expanded their scope to include disasters declared from FY 1994 to FY 1997. In this timeframe, there were 242 open disasters and more than $1.3 billion in remaining costs. Within nine months, 126 of these disasters were programmatically closed and remaining costs were reduced to $263 million.

We concluded that the closeout teams performed a commendable job in reducing the disaster closeout backlog, but their efforts were only a short-term solution. We recommended that the Office of Financial Management continue to use disaster closeout teams to administer the closeout function until an efficient and comprehensive grants management system is institutionalized throughout FEMA.

OTHER SUPPORT ACTIVITIES

Computer Intrusion

A former FEMA employee illegally accessed FEMA's internal computer system. The individual admitted to three occasions of this activity in violation of 18 U.S. Code 1030 (fraud and related activity in connection with computers). In lieu of Federal prosecution, this individual was accepted into the Federal Pretrial Diversion Program.

5

Prevention Activities

Hotline Complaints

We continued to promote and publish the number of the Fraud Hotline as a tool to prevent and deter crime. Hotline posters in both English and Spanish languages continue to be displayed in locations frequented by the general public to encourage the reporting of crimes.

During this reporting period we received 1,610 hotline complaints. The majority of the complaints was from the Eastern United States and associated with Hurricanes Floyd and Irene. Allegations of fraud associated with the floods and tornadoes in the mid-west continue to account for many of the complaints. We continue to receive allegations associated with Hurricanes Bret and Georges, Super Typhoon Paka, and the Northridge Earthquake. Allegations continue to include:

- Applicants used false names and multiple and/or fictitious addresses.
- Applicants claimed losses that they did not incur, or were not entitled to claim.
- Applicants did not use FEMA funds for intended purposes.
- Applicants received duplicate payments from FEMA and their insurance companies.
- Township officials used FEMA money for their own benefit.
- FEMA checks were stolen.

Disaster Fraud Training

In 1998, we collaborated with the National White Collar Crime Center (NWCCC), the National Insurance Crime Bureau and the Small Business Administration to develop a two-day training course that assists State and local law enforcement in combating disaster related fraud. During this reporting period, we sponsored 3 courses in Atlanta, Georgia. Ninety-three professionals including prosecutors, investigators, emergency service personnel, and members of the insurance industry have attended. Since June 21, 1999, 227 professionals have attended 8 training courses. Three more courses will be offered this fiscal year.

Contractor Registration Systems

In response to the increasing problem with home repair contractor fraud that occurs after a disaster, we developed a one-day training course in conjunction with the Ohio State Attorney General's Office, the Arizona Registrar of Contractors, and the NWCCC, on the implementation and utilization of "Contractor Registration Systems." The goal of the training is to assist law enforcement in deterring, detecting, and prosecuting disaster related contractor fraud. We invited a representative from each Attorney's General Office to attend the first course on May 4, 2000, in Atlanta, Georgia.

Integrity Awareness

Fraud prevention presentations continue to be made regularly at FEMA regional and field offices in the effort to heighten employee awareness of fraud prevention. These briefings provide an overview of the FEMA OIG and reinforce the importance and responsibility of the employee to report allegations of wrongdoing. Additionally, we have participated in radio and television interviews to educate the public about potential fraud schemes. During this reporting period we presented 8 fraud awareness-training conferences that were attended by 140 FEMA employees, 20 representatives of other Offices of Inspector General, 120 Insurance Adjusters, and 50 owners/presidents of claim servicing companies.

OIG Law Enforcement Task Force Activities

OIG special agents continue to work under the auspices of the United States Attorney's Office with the FBI and OIGs from the Departments of Labor, Transportation, Interior, the Small Business Administration, and the Postal Inspection Service. The Guam Task Force is investigating a variety of fraud allegations involving $1.8 million related to FEMA Public Assistance Programs. The Virgin Islands Disaster Fraud Task Force continues to conduct several complex fraud investigations, and the Disaster Fraud Task Force in Puerto Rico continues to investigate complaints received through our Spanish fraud hotline.

6

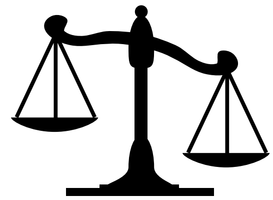
Other OIG Activities

Oversight of Non-FEMA Audits

We processed 27 audit reports prepared by non-FEMA auditors on FEMA programs and activities and monitored actions taken to implement the recommendations in the reports. We processed 23 reports relating to OMB Circular A-133, "Audits of States, Local Governments, and Non-Profits Organizations," and 4 contract reports. Nine reports identified $5.3 million in questioned costs.

Audit Reports Unresolved Over Six Months

Timely resolution of outstanding audit recommendations continues to be a priority at FEMA. As of this report date, there were 22 audit reports containing recommendations that were unresolved for more than 6 months. Of the 22 audit reports, 20 are reports on recipients of FEMA disaster grants. We are working closely with FEMA management on the resolution of those reports and anticipate closure before the next reporting period.



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Legislative and Regulatory Reviews

Section 4(a) of the Inspector General Act requires the Inspector General to review existing and proposed legislation and regulations relating to the programs and operations of FEMA and to make recommendations concerning their impact. In reviewing regulations and legislative proposals, the primary basis for our comments are our audit, inspection, and investigation experiences. We also participate in the President's Council on Integrity and Efficiency, which provides a mechanism by which to comment on existing and proposed legislation and regulations that have a government-wide impact.

During this reporting period, the OIG reviewed 25 proposed changes to legislation, regulations, and internal directives that could affect FEMA. Significant reviews included draft changes to the Stafford Act, FEMA's authorizing legislation. Our review focused on how FEMA programs and processes could be made more effective and efficient as well as on cost reduction initiatives. We also met with the staff of the congressional authorizing committees to address cost-reduction alternatives.

We offered comments regarding Senate Bill 1993—The Government Information Security Act of 1999—to the President's Council on Integrity and Efficiency (PCIE). The PCIE made recommendations to the Senate Governmental Affairs Committee on behalf of the Inspectors General throughout the Federal government. As noted in the PCIE response, this Bill would require a significant commitment of resources to complete the annual audit requirement. The due date of March 1, 2000, for the annual audit report should be reconsidered because March 1 is the statutory deadline for the annual financial statement audit reports. Providing both reports during the same timeframe would place tremendous strain on the limited audit resources of the OIGs.

Finally, we provided comments on the draft HR 1827—Government Waste Corrections Act (Fraud Recovery Audits). Our comments focused on clarifying the percentages of recovery dollars used for the various functions the dollars would support, the role of the Inspectors General in monitoring the requirements of the Act, and contractor reporting requirements.

8

Appendices

9

Index of Reporting Requirements

The specific reporting requirements prescribed in the Inspector General Act of 1978, as amended in 1988, are listed below with a reference to the pages on which they are addressed.

Section 5(a)(12)	Management Decision Disagreements	None

1/ In FEMA's audit follow-up process, the Office of Financial Management monitors and reports on corrective actions after a decision has been reached. Corrective action information is transmitted in the Director's Report to Congress.

10

Customer Survey

The Office of Inspector General has a continuing interest in providing informative semiannual reports to its customers. In this regard, we are soliciting your suggestions to improve the report. We ask that you complete and return this survey sheet to:

Federal Emergency Management Agency
Office of Inspector General
500 C Street, S. W., Room 506
Washington, D.C. 20472

Attention: James Daniels

Your name: ______________________________

Your daytime telephone number: ______________________________

Your suggestion(s) for improvement: (please include additional sheets if needed)

If you would like to discuss your suggestion(s) with a staff member of the Office of Inspector General or would like more information, please call Mr. Daniels at (202) 646-3221, or contact him on the Internet _james.daniels@fema.gov_**.**

Hotline

If you have knowledge of fraud, waste, or abuse involving FEMA contracts, programs, or personnel, call the Fraud Hotline at:

1-800-323-8603

or write:

Office of Inspector General, Room 502
Federal Emergency Management Agency
500 "C" Street, S.W.
Washington, DC 20472

or use Internet Electronic Mail

http://www.fema.gov/IG/hotline.htm

Hotline Complaints

The OIG continues to promote and publish the Fraud Hotline in furtherance of our efforts to prevent and deter crime. Hotline posters in both English and Spanish format are displayed in locations frequented by the general public to encourage their responsibility to report crime.